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INFO RUEHBD/AMEMBASSY BANDAR SERI BEGAWAN 0006
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RUEHHK/AMCONSUL HONG KONG 0694
RUEHIN/AIT TAIPEI 0115

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SIPDIS

SENSITIVE
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SUBJECT: LATIN PACIFIC ECONOMIC MINISTERS INTERESTED IN
HARMONIZING TRADE AGREEMENTS AND ASIA OUTREACH

SENSITIVE BUT UNCLASSIFIED -- PLEASE TREAT ACCORDINGLY

¶1. (SBU) SUMMARY. Colombia hosted the "Latin American Pacific Basin Initiative Forum" January 29-30 in Cali, with participants from 9 of the 11 Latin American Pacific coast countries. The largely symbolic meeting was intended to galvanize trade and investment among the Latin Pacific countries, and promote a common outreach to the Asian Pacific region. Much of the discussion focused on the fledgling port and transport infrastructure that plagues the region, and on the need to harmonize cumulation/rules of origin in the myriad regional and bilateral trade pacts in the hemisphere. APEC membership for additional Latin American countries was backed, but viewed as only one element of a broader strategy. The closing declaration calls for a working group of vice ministers of trade to recommend concrete proposals in support of this agenda, and for a second forum to be held in Peru the third week of August. End Summary.

¶2. (U) Representatives of 9 of Latin America's 11 Pacific Basin countries -- including 5 ministers of trade/economy -- participated in the two-day forum in Cali (official delegation list is attached at Para. 7). Only Nicaragua and Costa Rica failed to send a representative. The program consisted of presentations by the three Latin APEC members (Mexico, Chile and Peru) concerning their experiences with Asian trade, a discussion of port infrastructure along Latin America's Pacific coast led by Jose Enrique Perez of the Andean Finance Corporation (CAF), and a review of broader Pacific Basin economic trends by Antoni Estevadeordal of the Interamerican Development Bank. The ministers met in private to discuss concrete follow-up, and two private sector

sessions were held to provide recommendations to the ministers.

¶3. (U) The statistics tell the story. The 11 Latin Pacific countries have a population of 245 million, GDP per capita of USD 4,700, and represent 3.5 percent of world trade. The 15 Asian Pacific countries have a population of 2.1 billion, GDP per capita of USD 15,000, and participate in 28 percent of world trade. Trade between the two regions has been growing steadily, albeit from a low base. From 2000 - 2005, annual Latin Pacific exports to the Asia Pacific region grew by 25 percent to USD 20 billion, while imports skyrocketed by more than 100 percent to USD 70 billion. The majority of Latin exports are raw materials, while the majority of Asian Pacific exports consist of manufactured goods and technology. Of the 11 Latin Pacific countries, only Chile and Peru enjoy a trade surplus with the Asia Pacific region due to their mineral exports.

¶4. (U) Speakers underscored port and transport inefficiencies as a major stumbling block to intra-regional as well as Asian trade. Whereas Chinese port traffic is 90 percent containerized, Latin Pacific port containerized port traffic stands at 40 percent -- another reflection of the high commodity content of the export base.

¶5. (U) The IDB's Estevadeordal highlighted the growing number of bilateral and sub-regional trade arrangements (the "spaghetti bowl") as an additional complication to generating efficient flow of goods. In the private sector session that followed, participants called for linkages between existing trade arrangements -- especially on rules concerning cumulation and rules of origin.

¶6. (SBU) The benefits of APEC membership for additional Latin Pacific countries represented an important -- but not sole -- focus of the event. All speakers made reference to the significance of expanded Latin American membership as an element of Asian outreach, and support for such membership when the current moratorium on new members ends was universal. However, there was no clamor for ending the moratorium, and EconCouns was never approached about USG policy toward the moratorium. No mention of APEC was made in the final declaration.

¶7. (SBU) A ministerial declaration ("Declaration of Santiago de Cali") was hammered out at the last moment following stalemate over the issue of expanding the forum to include other Latin American countries not within the Pacific Basin. It calls for a working group (at the Vice Ministerial level) to advance concrete ideas on harmonization of existing trade agreements and infrastructure improvements. The declaration also calls for an inventory of regional investment agreements and promote cooperation accords with Asian Pacific countries. The ministers announced that a second Forum will be held in Lima in the third week of August of 2007. The text of the declaration (in Spanish) can be found on the Ministry of Trade website (www.mincomercio.gov.co).

¶8. (U) Delegation List. Below are the participants on the official delegations:

--Chile: Carlos Furche, Vice Minister of International Economic Affairs, Ministry of Foreign Affairs; Camilo Navarro, Chief of the Latin America Department

--Colombia: Luis Guillermo Plata, Minister of Trade, Industry and Tourism; Eduardo Munoz, Vice Minister of Trade, Industry and Tourism

--Ecuador: Franklin Chavez Pareja, Executive Secretary of the Ecuadorian Committee for the Pacific Basin, Foreign Ministry

--El Salvador: Yolanda Mayor de Gavidia, Minister of Economy; Carmen Aida Lazo, Advisor, Ministry of Economy

--Guatemala: Fernando Sesenna Olivero, Ambassador to Colombia

--Honduras: Elizabeth Azcona Bocock, Secretary of State for Industry and Commerce; Marie Dominique Villeda, Director General for Foreign Trade

--Mexico: Luz Maria de la Mora, Chief, International Trade Negotiating Unit, Ministry of Economy; Norberto Amador, Deputy Director for Colombian Affairs, Ministry of Economy; Monica Contreras, Deputy Director for APEC Affairs, Ministry of Economy

--Panama: Alejandro Ferrer, Ministry of Trade and Industry; Diana Salazar, Director of International Trade Negotiations, Ministry of Trade and Industry; Margorieth Tejeira, Press and Public Relations Officer, Ministry of Trade and Industry

--Peru: Mercedes Araoz Fernandez, Minister of Foreign Trade and Tourism; Javier Laulinich Velarde, Director General for WTO and International Trade Negotiations, Ministry of Foreign

Trade and Tourism

19. (SBU) Comment. The meeting was equally focused on intra-regional trade and getting the Latin American house in order as it was on reaching out to the Asian Pacific countries. There were no illusions that expansion of the Latin America role in the Pacific Basin would be quick or easy; rather, all participants recognized that ironing out port and transport inefficiencies, and seeking harmonization of the myriad intra-regional trade accords, were preconditions for Latin America to serve as more than an exporter of raw materials. While the meeting was more symbolic than substantive, the fact that the ministers agreed on a second forum in a rather short timeframe demonstrates their intent to give life to this process. End Comment.

DRUCKER